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June 17, 2002

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW, Room TWB-204
Washington, DC 20554

Re: Federal-State Joint Board on Universal Service, Docket 96-45

1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms, Docket 98-171

Telecommunications Services for Individuals with Hearing Speech Disabilities and the Americans with Disabilities Act of 1990, Docket 90-571

Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, Docket 92-237, NSD File No. L-00-72

Number Resource Optimization, Docket 99-200

Telephone Number Portability, Docket 95-116

Truth-in-Billing and Billing Format, Docket 98-170

Dear Ms. Dortch:

On Friday, June 14, 2002, I provided via email the attached document to Matthew Brill of Commissioner Abernathy's office and Paul Garnett of the Wireline Competition Bureau. This document provides a summary of the points AT&T will raise at the June 21, 2002 Public Meeting on Proposals to Reform the Commission's Universal Service Contribution Methodology.

One electronic copy of this Notice is being submitted to the Secretary of the FCC in accordance with Section 1.1206 of the Commission's rules.

Sincerely,

Joel Lubin (als)

Joel E. Lubin, AT&T Corp.
Carrier Recovery of Universal Service Costs
for
June 21, 2002 Public Meeting on Proposals to Reform the Commission's
Universal Service Contribution Methodology
CC Docket Nos. 96-45, 98-171, 90-571, 92-237, NSD File No. L-00-72
CC Docket Nos. 99-200, 95-116, 98-170

Components of Universal Service Line-Item Cost Recovery

- USAC contribution factor.
- For carriers with declining revenues, recovery of USF assessment from a smaller customer base due to the six-month lag between period on which historical assessments are based (the assessment period) and period in which the carrier collects its assessment from its customers (the billing period).
- Depending on the carrier, uncollectibles (including billed amounts that are not collected and amounts that cannot be billed) and administrative costs such as reporting, billing and collecting universal service recovery fees.

Keys to Minimizing Differences in/and Holding Down Carrier USF Recovery Fees

- Eliminate lag between the historical period on which assessments are based and the period in which a carrier collects its assessment from its customers.
- Assess and collect universal service assessments from carriers and other contributors in the most efficient manner possible, minimizing the transactions costs including the number of collection points, the number of bills necessary to recover assessments from consumers, the amount of information that must be shared (more likely purchased) among carriers to implement assessment and recovery, and customer confusion.
- Eliminate carrier-specific variability of uncollectibles and minimize the extent to which there will be unbillable recovery fees.

Why the CoSUS Proposal Minimizes Recovery Fees

- By using a "collect and remit" assessment mechanism, the CoSUS proposal eliminates both the lag between the assessment period and the billing period, and the carrier-specific exposure to uncollectible recovery fees that cause customer confusion over disparate USF line-items.
- By collecting assessments based only on connections to a public network, and focusing recovery of USF assessments at those points, the CoSUS proposal minimizes the number of collection points and the number of bills necessary to recover assessments from consumers, and does not require IXC's or ISP's to purchase end-user connection and connection-type information from the connection provider.
- By thus minimizing carrier transaction costs, any administrative mark-up (which should be reflected in an FCC-prescribed "safe harbor") would be lower than under other proposed mechanisms.
- Under the CoSUS proposal, a single connection is assessed a single USF assessment and should have a single associated carrier USF recovery charge. This reduces customer confusion

as the customer no longer sees multiple USF line-items with different collection rates, and reduces the overall costs of implementing the USF.

Why Other "Connection"-Based Proposals Increase Carrier Recovery Charges

- Other proposals, particularly SBC-BellSouth, maximize the number of assessment collection points, maximize the number of bills necessary to recover assessments from consumers, require IXC's and ISPs to purchase end-user connection and connection-type information from connection providers, and increase the likelihood that customers will not pay recovery fees.
- Under SBC-BellSouth, the ordinary residential consumer with only one wireline connection (including both local and long distance), and dial-up internet access will be assessed at least 3 connection fees, and will have USF recovery fees from at least 3 different providers. Each service provider incurs billing and transaction costs. SBC-BellSouth's treatment of occasional use services, such as dial-around and prepaid card, will add to the total administrative costs as USAC would have to administer both a connection-based and a revenue-based mechanism. Recovery of revenue-based assessments from these providers causes customer confusion by undermining the goal of a uniform line-item for recovery of USF charges.